

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

Release Number: **200946059**
Release Date: 11/13/09
Date: August 17, 2009

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X=
Y=
Z=
x=

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated April 7, 2009.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program to provide college and university scholarships to deserving students in Z. Students who are U.S. Citizens or legal permanent residents with permanent resident card or passport stamped, I-551, have a minimum cumulative grade point average of 2.8 on 4.0 scale, are high school seniors at time of application, and plan to enroll full time at a regionally accredited two/three/four year college or university are eligible to apply.

There are 10 scholarship categories (Y) for interested students. For the current year, 19 total awards will be granted in the amount of x each. No recipient can renew his/her scholarship and each recipient can only be awarded one scholarship.

To apply, students can visit X's website or obtain scholarship information from their schools. The students are to complete the application including information regarding Free Application for Federal Student Aid (FAFSA), transcript, essay, and two letters of recommendation.

Scholarship recipients are chosen by a Selection Committee composed of members, appointed by the Director of X, who are actively involved in the community and

educational institutions and have a willingness to enthusiastically volunteer their commitment to fulfilling their duties and responsibilities. All current committee members are or were employees of Z school districts and continue to be active members of the community. If a committee member can no longer fulfill his/her duties, a new committee member will be appointed under the direction of X.

Selection of recipients will be an unbiased process; student personal information, such as name and high school information will be removed during the assessment and selection process. No awards will be issued to persons who are disqualified persons with respect to X.

Potential recipients will be ranked based on the following criteria: family income and FAFSA report; extra-curricular activity; leadership positions both in and outside of school; volunteer and/or community service involvement; GPA; advanced course studies; SAT and/or ACT scores; and essays.

Scholarship committee members' evaluation process will go as follows:

- Staff and Chairperson of X will copy and organize all applications for each committee member to review.
- A rubric for each applicant will be included.
- A rating and rating criteria for each applicant will be included.
- Chairperson will meet, deliver, and explain to each committee member the evaluation process with applications.
- Scholarship committee members will have approximately 2-3 weeks to evaluate each applicant according to the rubric and will rank potential awardees per scholarship category.
- All committee members will meet to determine awardees.
- Each member will turn in his/her scores and ranks of each student application per scholarship category.
- The overall top 3 candidates will be openly discussed among committee members to determine scholarship recipient.
- Final scholarship recipient names will be given to the staff of X.

X will announce scholarship recipients with personal acknowledgements. All non-awardees will receive an appreciation letter for their efforts and spiritual support for their future endeavors.

Scholarship checks are written to both the recipient and their designated college or university. Students are required to provide X a letter of verification of enrollment prior to the start of school. Students may provide a copy of their student tuition bill; i.e. tuition, housing, food. Since the scholarship check is written to both recipient and college or university, recipients will be unable to use funds for non-college expenses. X agrees to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;

- (ii) Identification of the grantees (including any relationship of any grantee to the grant organization);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering X's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards

comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements

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